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BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2008-1-E

May 28, 2008

IN RE: )  
 )  
Carolina Power & Light Company, d/b/a ) **SETTLEMENT AGREEMENT**  
Progress Energy Carolinas, Inc. )  
Annual Review of Base Rates for Fuel Costs )  
\_\_\_\_\_ )

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff ("ORS"), Nucor Steel – South Carolina ("Nucor"), and Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc., ("PEC") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina ("Commission") pursuant to the procedure established in S.C. Code Ann. §58-27-865 (Supp. 2007), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination.

A. PEC witnesses:

- (1) Bruce P. Barkley (Direct)
- (2) Dewey S. Roberts II (Revised Direct)

B. ORS witnesses:

- (1) Sharon G. Scott
- (2) M. Anthony James

The Parties further agree to work collaboratively to submit testimony in support of this Settlement Agreement as set forth by the Commission's settlement procedures.

2. As a compromise, all Parties adopt, accept, and acknowledge as the agreement of the Parties that:

- A. PEC's cumulative under recovered fuel cost balance for the period ending June 2008 is projected to be the amount of (\$11,101,563).
- B. The appropriate fuel factors for PEC to charge for the period beginning with the first billing cycle in July 2008 extending through the last billing cycle of June 2009 are listed below. These fuel factors include environmental costs and the under recovered fuel costs.

Class	Base Fuel Cost Component (cents/KWH)	Environmental Fuel Cost Component (cents/KWH)	Total Fuel Costs Factor (cents/KWH)
Residential	3.151	0.115	3.266
General Service (non-demand)	3.151	0.125	3.276
General Service (demand)	3.151	0.000 <sup>1</sup>	3.151
Lighting	3.151	0.000	3.151

<sup>1</sup> The environmental rate for these customers is 26 cents per kW.

- C. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2007). The Parties further agree that any and all challenges to PEC's historical fuel costs recovery for the period ending February 29, 2008, are not subject to further review; however, the projected fuel costs for periods beginning March 1, 2008, and thereafter shall be open issues in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.
- D. Except as expressly set forth herein, this Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. §58-27-865 in any future proceeding.
- E. The Parties agree to accept all accounting adjustments as put forth in ORS witness Sharon G. Scott's testimony.
- F. The terms and conditions for recovery of carrying costs set forth in Paragraph 2(A) of the Settlement Agreement approved by the Commission in Order No. 2005-288 have been satisfied as of November 2007.
- G. PEC agrees to continue to provide to the parties the following:
- (1) Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
  - (2) Quarterly forecasts of the expected fuel factor to be set at PEC's next annual fuel proceeding and PEC's historical over/under recovery to date. PEC agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding; however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future PEC proceedings.
- H. Nothing contained in this Settlement alters, amends, or changes the methodology established for determining the environmental factor for PEC's rate classes as set forth in Paragraphs 3(B) and (C) of the Settlement Agreement filed with and approved by the Commission in Docket No. 2007-1-E.

3. The Parties agree this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy.

4. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code §58-4-10(B) (Supp. 2007). S.C. Code §58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.”

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

6. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty, by

providing written notice of intent to do so within five (5) working days of notice of the Commission's decision not to approve the Settlement Agreement in its entirety. In the event any Party withdraws under such circumstances, then the Settlement Agreement is null and void and each Party shall have the opportunity to present evidence and advocate its position in the proceeding, and the Parties shall work together in good faith to develop and propose a new procedural schedule to put the Parties back in the position they were prior to the settlement.

7. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capabilities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

8. This Settlement Agreement shall be interpreted according to South Carolina law.

9. This Settlement Agreement is and shall be deemed for all purposes to have been prepared for the benefit of and through the joint efforts of the Parties hereto and shall not be construed or interpreted against the Party originating or preparing it.

10. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

11. Each numbered or lettered subsection or paragraph herein is for reference only and has no substantive meaning.

12. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one original and provable copy of this Settlement Agreement.

13. This Settlement Agreement fully represents the entire agreement of the Parties with respect to the matters addressed herein and supersedes all prior conversations, documents, and agreements (express or implied) in this Docket No. 2008-1-E. No terms or conditions of this Settlement Agreement may be modified or waived except by an instrument in writing duly signed by or on behalf of each of the Parties.

SIGNATURE PAGES FOLLOW

WE AGREE:

**Representing and binding the South Carolina Office of Regulatory Staff**

*Shealy Boland Reibold*

Nanette S. Edwards, Esquire

Shealy Boland Reibold, Esquire

**South Carolina Office of Regulatory Staff**

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WE AGREE:

Representing and binding Nucor-Steel



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Thomas S. Mullikin

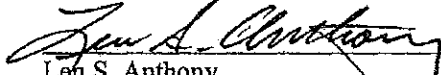
**Moore & Van Allen, PLLC**

100 North Tryon Street, Ste. 4700

Charlotte, NC 28202

WE AGREE:

**Representing and binding Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc.**

A handwritten signature in cursive script, appearing to read "Len S. Anthony", is written over a horizontal line.

Len S. Anthony

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